

January 8, 2002

REQUIREMENTS FOR THE CONTINUED OPERATIONS OF QUARTERS AND ESTABLISHING QUARTERS RENTAL RATES

1. PURPOSE: This Veterans Health Administration (VHA) Handbook establishes policy for continued operation of quarters, and setting and adjusting rental rates for VHA quarters. This new policy requires that rates be set using a standardized regional survey methodology in lieu of appraisals.

2. SUMMARY OF CONTENTS: This Handbook supersedes existing VHA policy requiring procurement of appraisals for establishing and reassessing rental rates for quarters. This Handbook mandates that rental rates for quarters be established through the use of the regional survey methodology and the computer program called Quarters Management Information System (QMIS). The Handbook indicates that quarters units are not to remain in operation if they are not economically productive or self-sustaining.

3. RELATED ISSUES: VA Directive 7631, "Quarters Management."

4. FOLLOW-UP RESPONSIBILITY: The Chief Facilities Management Officer (18/183C) is responsible for the contents of this Handbook. **NOTE:** *Questions may be referred to the VHA Housing Officer, Office of Facilities Management (18), at 202-565-5818.*

5. RESCISSIONS: This Handbook rescinds DM&S Supplement, MP-3, Chapter 3, Section I. Quarters: Rental Rates, dated March 15, 1978.

6. RECERTIFICATION: This Handbook is scheduled for recertification on or before the last working day of January 2007.

S/Tom Sanders for
Thomas L. Garthwaite, M.D.
Under Secretary for Health

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REQUIREMENTS FOR THE CONTINUED OPERATIONS OF QUARTERS AND ESTABLISHING QUARTERS RENTAL RATES

1 PURPOSE

This Veterans Health Administration (VHA) Handbook, in compliance with Federal policy, clarifies that charges for rent and related facilities must be set at levels equal to those prevailing for comparable private housing located in the same area and clarifies procedures pertaining to the continued operation of quarters units which are not in support of the mission of the facility, and the discontinuance of quarters units which are not economically profitable or self-sustaining.

2. BACKGROUND

a. In the past, Department of Veterans Affairs (VA) policy (contained in Department of Medicine and Surgery (DM&S) Supplement to MP-3, Chapter 3, Section I, Quarters: Rental Rates) required the procurement of individual appraisals for each of the quarters every 5 years. During the interim years, rates were manually adjusted according to the Consumer Price Index (CPI). The appraisal method involved a costly and administratively burdensome process. In its 1985 audit of VHA quarters, the Office of Inspector General (OIG) found many appraisals were questionable or outdated.

b. Office of Management and Budget (OMB) Circular A-45, Rental and Construction of Government Quarters, encourages agencies to use the regional survey for establishing charges for quarters. The regional survey creates a series of economic models based upon a survey of comparable private rental housing throughout the region. Quarters Management Information System (QMIS) is the automated system that employs the regional survey methodology and is used to calculate rent and other charges for nearly 20,000 quarters throughout the Federal Government.

c. In 1997, the Under Secretary for Health approved the use of QMIS for establishing and adjusting rental rates. Most VHA facilities are already using QMIS to charge for rent and other services. Following its evaluation of VHA's management of quarters, the OIG recommended that all rental rates be adjusted to reflect market value and agreed that use of QMIS, including any applicable location charge or deduction, would enable VHA to appropriately adjust the rental rates to reflect fair market value.

d. The QMIS software calculates a regional average rental rate for each unit based upon information describing the unit and its occupant(s). QMIS automatically deducts negative values as an adjustment for communities where the rent is lower than the regional average. The QMIS Program Office within the Department of Interior (DOI) provides VHA with the positive values for communities where the rent is higher than the regional average, and the Veterans Integrated Service Network (VISN) Housing Officer Representative must manually add these charges to the rent.

e. The QMIS Program Office has not yet completed surveys in a few of the communities where VHA quarters are located. In these locales, appraisals shall be utilized until the QMIS

data is made available. The CPI-adjusted rate, predicated on the most recent appraisal, will be used until implementation of QMIS.

f. On October 28, 1999, VHA Directive 7631.1, "Elimination of Federal Tax Exemption for Key Employees Occupying Quarters," was issued. This Directive, implemented during pay period 26 of 1999, stated that in compliance with Federal policy, occupancy of quarters is voluntary and that VHA will eliminate the practice of designating key employees to live in quarters (except under certain conditions where the agency requires it to provide for needed services or protect VA property).

3. SCOPE

It is imperative that all quarters that remain in operation remain economically profitable or self-sustaining and that the quarters unit supports the mission of the facility.

a. In all locations where VHA rents quarters to its employees, and the regional survey is available, the rent must be established and annually adjusted by use of the regional survey methodology, using QMIS. In areas not currently served by QMIS, the procurement of appraisals is governed by the guidelines in Appendix E.

b. Buildings in use as quarters will be discontinued for such use whenever a quarters building has reached a state of disrepair or obsolescence which requires a capital improvement project, the estimated cost of the proposed project when added to the future estimated cost of management, maintenance and operation over a 10-year period, will not be offset by reasonably expected rental receipts over the same 10-year period using net present value calculations.

c. Upon vacancy of the quarters unit prior to renting to another VA tenant, quarters units showing a projected loss over the future 10-year period will not be rented, and if no alternative use can be economically justified, must either be considered candidates for demolition or transferred to the medical center inventory of buildings.

d. Quarters failing to operate at a profit will be considered candidates for demolition upon the vacancy of the unit. Continued expenditures for maintenance, repair, modernization and renovation of quarters that are unprofitable are not justified.

4. QMIS

a. QMIS, including any applicable location increase or decrease, must be used for establishing and adjusting rental rates. VHA will implement QMIS rental rates for all quarters in all locations where the regional survey is available, beginning March 15, 2002.

b. The QMIS rent calculation consists of the:

- (1) Monthly base rental rate;
- (2) Value of Government provided related facilities;
- (3) Value of applicable administrative adjustments;

(4) Value of interim year annual adjustments; and

(5) Value of applicable location adjustments either negative for locations where the rent is lower than the regional average, or positive for locations where the rent is higher than the regional average.

c. In recognition of the potential hardship imposed by rent increases resulting from this Handbook, VA has received permission from OMB to phase in significant increases. Base rent increases between 25 percent to 39 percent may be phased in four equal quarterly increments, such that the total rent increase (including interim annual adjustments, if any) will be in effect until January 15, 2003. Base rent increases of 40 percent or greater may be phased in eight equal quarterly increases, such that the total rent increase (including interim annual adjustments, if any) will be in effect until January 15, 2004.

5. DESIGNATION OF ESSENTIAL QUARTERS

There will no longer be a designation of essential quarters units for key personnel at the VA medical centers (see VHA Directive 7631.1).

6. INCOME AND EXPENSE ANALYSIS

a. An income and expense analysis must be prepared by the VHA medical facility and submitted to the Director, Network Program Support (10NB) and the VHA Housing Officer, Office of Facilities Management (18), for approval in the following situations **prior** to proceeding with a capital improvement project or renting a vacant quarters unit to a new tenant.

b. An income and/or expense worksheet using Excel software has been developed by the Office of Asset and Enterprise Development and approved by OIG. This software program must be utilized for all income and expense present value analysis submitted for approval (see Att. F).

7. QUARTERS IMPROVEMENT PROJECT

A quarters improvement project is a project which alters an improvement (additions, alterations, betterments, modifications, rehabilitation, renovations and/or replacements) that have a life expectancy of 5 years or more, and a cost of \$10,000 or more.

8. ACTION

a. VHA facilities must annually adjust rental rates using the QMIS system including any applicable location increase or decrease. The following appendixes provide necessary details for completing this action:

(1) Appendix A, Sample Format for the Report of Rental Rates for Quarters (Report Control Number (RCN) 10-0128), is a report showing current rental rates for all quarters units. This report must be updated annually and forwarded to the VHA Housing Officer, Office of Facilities Management (18) by April 15 of each year.

(2) Appendix B, Quarters Location Adjustments for Medical Centers, provides a listing of stations with current location charges updated annually (see <http://www.va.gov/facmgt/landmanagement/quarters/vhadir7631.2-attb.xls>).

(3) Appendix C, Instructions for Completing Department of Interior Form 1875, Inventory of Government Quarters, provides instructions for completing the Quarters Inventory Form and a sample of the format that is used to input data for QMIS rent calculations (see <http://www.den.nbc.gov>).

(4) Appendix D, Reconsideration and Appeal of Rental Rates, contains instructions for reconsideration and appeal of rental rates.

(5) Appendix E, Guidelines for Conducting Appraisals, contains guidelines for conducting appraisals.

(6) Appendix F, Quarters Capital Investment Cost Effectiveness Analysis Worksheet, contains an Excel Worksheet to be utilized in determining whether a capital improvement is economically feasible or to determine whether continued occupancy of a vacated unit is warranted (see <http://www.va.gov/facmgt/landmanagement/quarters/vhadir7631.2-attf.xls>).

b. VHA facilities are required to submit the report (Appendix A) in time to reach the VHA Housing Officer, Office of Facilities Management (18), within 30 days following the date of this Handbook. VHA facilities shall implement the new rental rates to be effective during the first pay period beginning 60 days following the date of this Handbook, providing affected tenants with a 30-day written notice of the increased rent.

9. RESPONSIBILITIES

a. **DOI.** DOI, QMIS Program Office, is responsible for administering the interagency regional rental program for the Federal Government. This office is responsible for:

- (1) Conducting regional rental surveys using certified appraisers on a contract basis;
- (2) Preparing regional survey reports;
- (3) Developing software and instructions for annual rental adjustments;
- (4) Conducting QMIS database training;
- (5) Maintaining an interagency quarters database;
- (6) Conducting special analyses for user agencies; and
- (7) Working with the VHA Housing Officer and the VISN Housing Officer Representative on matters relating to QMIS.

NOTE: VHA is contracting with DOI for the use of QMIS. The office mailing address is: QMIS Program Office (Code D-2910), Administrative Service Center, 7301 West Mansfield Avenue, Denver, CO 80235-2230.

b. **VHA Housing Officer.** The VHA Housing Officer, Office of Facilities Management (18), is responsible for:

- (1) Administering VHA's Quarters Management Program;
- (2) Providing guidance on program matters;
- (3) Maintaining VHA's nationwide QMIS database;
- (4) Preparing special analyses and reports;
- (5) Providing expert review of appeals and requests for certification of required occupancy;
- (6) Developing Departmental policy for managing rental quarters; and
- (7) Reviewing income and expense analysis submitted by the VISN Housing Officer through the VISN Director.

c. **VISN Directors.** VISN Directors are responsible for compliance with Federal and VA quarter's management policies for the programs under their jurisdiction. VISN Directors are also responsible for:

- (1) Ensuring that appropriate charges are established and collected through payroll deduction from employees living in quarters;
- (2) Establishing a mechanism to account for all income derived from the rental of quarters so that it can be used for the maintenance and repair of units;
- (3) Implementing VHA recommendations regarding appeals of rental rates; and
- (4) Reviewing income and expense analysis for the continued operation of quarters units and forwarding concurrence to the VHA Housing Officer in the Office of Facilities Management (18).

d. **VISN Housing Officer Representative.** VISN Housing Officer Representative is responsible for running QMIS software and communicating the adjustment of rental rates to affected occupants. For each unit under their purview, VISN Housing Officer Representatives are responsible for:

- (1) Ensuring the accuracy of the data input to QMIS;
- (2) Adding any applicable location charge to the QMIS rent calculation for quarters located in communities where the rent is higher than the regional average;

- (3) Overseeing the implementation of the annual adjustment to rental rates;
- (4) Providing updated database software to the VHA Housing Officer; and
- (5) Preparing income and/or expense analysis for the continuation of operating quarters units and forwarding this documentation to the appropriate VISN Director for review and concurrence.

10. REFERENCES

- a. Title 5, U.S.C., Chapter 59, Section 5911, “Quarters and Facilities; Employees in the United States.”
- b. OMB Circular No. A-45 (Revised), “Rental and Construction of Government Quarters.”
- c. VA Directive 7631, “Quarters Management.”
- d. VHA Directive 7631.1, “Elimination of Federal Tax Exemption for Key Employees Occupying Quarters.”
- e. Assistant Deputy Under Secretary for Health Memorandum to VISN Directors dated May 30, 2001.
- f. Chief Network Officer Memorandum to VISN Directors dated April 11, 2000.

**SAMPLE FORMAT FOR THE
REPORT OF RENTAL RATES FOR QUARTERS (RCN 10-0128)**

1. Name of Medical Facility.
2. Name, title, and phone number of person who prepared the report.
3. Name of Veterans Integrated Service Network (VISN) Housing Officer Representative.
4. Date new rental rates are effective.

<u>Unit number</u>	<u>Monthly Base Rental Rate (MBRR)</u>	<u>Utilities and other charges for related services</u>	<u>Applicable administrative adjustments</u>	<u>Consumer Price Index adjustment</u>	<u>Location adjustment</u>	<u>Total monthly rental rate</u>
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QUARTERS LOCATION ADJUSTMENTS FOR MEDICAL CENTERS

This is a sample. The updated version can be downloaded from the following web site:

<http://www.va.gov/facmgt/landmanagement/quarters/vhadir7631.2-attb.xls>

LOCATION ADJUSTMENTS FOR MEDICAL CENTERS

<i>VISN #</i>	<i>Station #</i>	<i>VAMCs w/Quarters</i>	<i>Organizational Code</i>	<i>Units</i>	<i>Houses</i>	<i>Apartments</i>
VISN 1	HOST - BOSTON, MA (523)					
1	518	Bedford, MA	5180000	23	\$510	574
1	608	Manchester, NH	6080000	2	90	
1	689A4	Newington, CT (West Haven)	689A400	5	494	0
1	631	Northhampton, MA	6310000	11	0	69
1	402	Togus, ME (Augusta)	4020000	15	-140	-148
1	689	West Haven, CT	6890000	1		176
				57		
VISN 2	HOST - ALBANY, NY (500)					
2	514	Bath, NY	5140000	6	-115	
2	528	Buffalo, NY (513-Batavia, NY)	5280000	3	0	-70
2	532	Canandaigua, NY	5320000	1	0	
				10		
VISN 3	HOST - BROOKLYN, NY (527)					
3	526	Bronx, NY	5260000	4	374	394
3	630A4	Brooklyn, NY	630A400	5	374	394
3	533	Castle Point, NY (Fishkill, NY)	620A400	11	601	
3	561	East Orange, NJ	5610000	1	0	132
3	561A4	Lyons, NJ (Somerset County)	561A400	6	X	
3	620	Montrose, NY	6200000	33	537	132
3	630	New York, NY	6300000	11	374	394
3	632	Northport, NY	6320000	13	1122	408
				84		
VISN 4	HOST - PITTSBURGH, HD (645)					
4	503	Altoona, PA	5030000	2	-225	
4	529	Butler, PA	5290000	19	-137	-195
4	540	Clarksburg, WV	5400000	5	X	
4	542	Coatesville, PA	5420000	11	172	99
4	562	Erie, PA	5620000	1	0	
4	595	Lebanon, PA	5950000	8	-159	
4	646A5	Pittsburgh (HD), PA	646A500	2	0	-81
4	646	Pittsburgh (UD), PA	6460000	17	0	-81
4	693	Wilkes-Barre, PA	6930000	5	-54	
				70		
VISN 5	HOST - BALTIMORE, MD (512)					
5	512A5	Perry Point, MD	512A500	112	-39	
5	512A4	Fort Howard, MD	512A400	12	-39	
				124		

**INSTRUCTIONS FOR COMPLETING THE INVENTORY OF GOVERNMENT
QUARTERS**

The Department of Interior Government Quarters Inventory Form (DI Form 1875) and the instructions for preparing the form are posted on the National Business web site (<http://www.den.nbc.gov>).

RECONSIDERATION AND APPEAL OF RENTAL RATES

1. RIGHT OF THE EMPLOYEE-TENANTS

Employee-tenants have the right to contest any aspect of the management and rental rate establishment processes. The two steps in the process are: (1) requests for reconsideration, and (2) requests for appeals. Department of Veterans Affairs (VA) facilities must make sure that employee-tenants are aware of their rights and the procedures for exercising these rights.

a. **Requests for Reconsideration.** A request for reconsideration is the first step. It is a written request by the employee-tenant for reconsideration of any aspect of the quarters management or the rate establishment processes. Only employee-tenants may request reconsideration of quarters management and rental rate determinations. Non-Federal tenants may not seek reconsideration or subsequent appeal.

(1) Employee-tenants may request reconsideration of rental rates, adjustments, or other charges whenever they believe they have been improperly classified by erroneous factual determinations or rates have not been established within these guidelines or those of Office of Management and Budget (OMB) Circular A-45 (Revised). The request for reconsideration must be made in writing, outlining in detail the basis for the request and the names of all occupants participating in the request for reconsideration. The request must be filed with the facility housing officer representative, and a copy provided to the Veterans Integrated Service Network (VISN) housing officer, within 30 days following receipt of the notice of change in rate.

(2) The filing of a request for reconsideration can not serve to delay implementation of the revised rental rates and related facilities charges. Where reconsideration results in a revision of the rental rate, the employee must be credited with whatever overpayment, if any, resulted during the period from the date the rental increase became effective to the date the rate is modified. Conversely, the employee must pay the Government whatever underpayment, if any, resulted during this period.

(3) The VA facility reviewing official must issue a decision on a request for reconsideration within 30 days of receiving it. The failure of the responsible VA facility official to issue a decision within 30 days of receiving a request for reconsideration, is to be deemed a decision of denial and thus, grounds for appeal. While VA facilities may have additional review steps, these do not extend the 30-day response time.

(4) The employee-tenant has the burden-of-proof on a request for reconsideration and the subsequent appeal as to questions of fact.

b. **Appeals.** The filing of a request for reconsideration and the decision made on that request, are prerequisites for reconsideration to an appeal. An appeal is a written request by the employee-tenant to the VA facility's housing officer representative, for an examination of the issues raised in a request for reconsideration. The appeal must be filed within 30 days of the employee-tenant's receipt of a decision on the request for reconsideration. The Veterans Health Administration (VHA) facility must refer the appeal to the VHA Housing Officer, Office of

APPENDIX D

Facilities Management (18), VA Central Office, through the Veterans Integrated Service Network (VISN), for resolution. Appeals are subject to the following conditions:

(1) Matters not raised in the initial request for reconsideration can not be considered on appeal.

(2) Appeals undertaken as to either existing rates or proposed rates must be adjudicated as of the date the rate increases were implemented.

(3) The filing of an appeal can not delay implementation of the revised rental rates and related facilities charges. However, the employee must be credited with whatever overpayment, if any, resulted during the period from the date the rental increase became effective to the date the rate is modified.

(4) Where an appeal results in a revision of the rental rate, the employee must be credited with whatever overpayment, if any, resulted during the period from the date the rental increase changes were implemented to the date of the appeal decision. Conversely, the employee must pay the Government whatever underpayment, if any, resulted during this period.

(5) An appeal must specify the errors alleged, and must list the names of all employee-tenants participating in the appeal. Errors or occupants cannot not be considered unless they have been so specified and listed. **NOTE:** *A failure to specify the errors alleged is cause for summary dismissal of the appeal.*

2. SETTLING APPEALS

a. At the facility level, the first step will be to review and verify that the QMIS rental calculation is correct. In cases where it can be demonstrated that the rental rates are not in line with market value rents prevailing in the nearest established community, the VHA Housing Officer may request reconsideration by the QMIS Program Office.

b. The affected facility must obtain an appraisal, following the guidelines contained in Appendix E, that demonstrates the availability of private residential rental property that is similar to the unit, located in the same area, and rented for at least 10 percent less than the rates being appealed. The appraiser must submit the appraisal directly to the Office of Facilities Management (18) for expert review and acceptance.

c. The Office of Facilities Management (18) reviews the appraisal and, with concurrence from the Chief Facilities Management Officer, requests reconsideration from the QMIS Program Office.

d. The Chief Facilities Management Officer must provide a recommendation on the appeal for the approval of the Assistant Deputy Under Secretary for Health. The Assistant Deputy Under Secretary for Health is responsible for approving and implementing the recommended new rates.

GUIDELINES FOR CONDUCTING APPRAISALS

1. GENERAL

a. Appraisals will not be conducted in areas covered by a regional survey without the approval of Veterans Health Administration (VHA) Central Office, Office of Facilities Management (18). However, in certain situations appraisals are an acceptable alternative to surveys. This occurs when the Department of Interior has not conducted a survey in the location of the effected Department of Veterans Affairs (VA) medical center. It also is acceptable to use the appraisal method when the tenant has requested reconsideration and appeal of rental rates following the guidelines contained in Appendix D. When rental rates are to be determined by the individual appraisal method, the appraisals must be performed by appraisers who have been certified in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989; and who do not reside in quarters. VHA Central Office, Office of Facilities Management (18) must provide a list of appraisers to the VA facility and must review appraisals for technical acceptance, prior to their use in establishing the monthly rental charge.

b. When appraisals are an acceptable alternative, the following guidelines are to be used:

(1) VA facilities must contract for one appraisal for each quarter's unit and detached garage. Appraisals of non-housekeeping quarters must be made for both single and double occupancy, so that quarters may be rented on either basis without the necessity for reappraisal.

(2) VA facilities must follow prescribed procurement procedures to secure appraisal services. An employee who rents quarters must not select the appraiser or participate in any discretionary act involving the selection of an appraiser in a non-competitive process. The employee may, however, choose the appraiser with the lowest bid, or perform some other technical non-discretionary act.

2. APPRAISAL PROCESS

a. Prior to conducting the appraisal, the VA facility will provide the appraiser with an Office of management and Budget (OMB) Circular A-45 (Revised), VA Directive 7631, Appendix C of this Handbook, and any other supplemental guidelines. The VA facility must explain the process involved with possible reconsideration of appraisals.

b. The appraisal process must incorporate the following features and procedures:

(1) **Selection of Comparable Units.** To ensure a uniform approach to valuation, the appraiser is limited to comparing the quarters with current comparable market rentals in the nearest established community. However, if there is no rental market in the nearest established community for one or more classes of housing, the appraiser must collect comparable rental data for those rental classes from the next closest community meeting the established community criteria. Two or more private rental units must be used for comparative purposes in establishing the base rental rate for each quarters unit.

APPENDIX E

(2) **Rental Adjustments.** The contract rent of each comparable is to be adjusted to exclude the value of appliances, services, utilities and furnishings, which may be provided by the landlord. Since most private housing (and quarters) units rent with a landlord-provided range and refrigerator, the value of these appliances are not excluded. If a range or refrigerator is not supplied by the landlord, their value will be added to the contract rents. Central air conditioning and fireplaces are to be treated as real property and analyzed as to their contributory market value. Adjustments for the value of utilities, appliances, services, and furnishings must be based on the retail costs of these items in the established community in which the comparable units are located.

(3) **Adjustments of Comparable Units to the Quarters.** The appraiser must apply recognized real estate valuation principles and adjust only for differences in physical characteristics. Each adjustment must be shown in either dollar or percentage terms, and the source of each adjustment must be fully explained and documented. No adjustments can be made as part of the appraisal process for excessive heating and/or cooling costs, isolation, site amenities, or other administrative adjustments.

(4) **Forms.** To ensure VHA-wide uniformity, the Department of Interior Form 1875, Government Quarters Inventory, must be used for all appraisals. Prior to conducting the appraisal, the appraiser will either be furnished the appropriate quarters inventory form for the quarters to be appraised, or will complete on appraiser own, the appropriate quarters inventory form for the quarters to be appraised (see Att. C). If the completed inventory form has been furnished, it must be re-verified by the appraiser. The appraiser must resolve any conflicts in the data provided and the observations made.

(5) **Documenting Photographs.** The appraisal report must include color photographs of the front and rear of each Government-funded Quarters (GFQ) and color photographs of the front of each comparable rental property listed on the appraisal grid.

(6) **Community Map.** The report must include a map of the established community used in developing the value estimate. The map must clearly define community boundaries and identify the VA facility and location of comparable properties. Map scale must be indicated.

(7) **Certification.** The appraiser must certify in writing that factors including, but not limited to, those contained in the Government Quarters Inventory form, have been considered and appropriate adjustments made in developing the rental estimates.

3. EXTENSION OF COMPARABILITY

Private rental comparable units may not be available for certain classes of Government housing, including dormitories, bachelor quarters, and transient quarters. In such circumstances, OMB Circular A-45 (Revised) provides that the rental charges for such quarters may be established by extending the principle of comparability.

a. Guidelines for housing classes most typically not available as comparables in the private sector are as follows.

(1) **Dormitories**. Where private comparable rental data is not obtainable for dormitories, rental charges are to be established at a rate equivalent to one-half of the base rental rate charged for the next most comparable rental housing. A separate charge for Government-provided related facilities must be established at rates equivalent to those prevailing in the appraisal area.

(2) **Transient Quarters**. Transient quarters are hotel-type accommodations, usually offered with Government-provided furnishings, linens, housekeeping items, supplies, and special services. Transient quarters are typically occupied on a transient basis, normally for 90 days or less. The charges for transient quarters must be established as follows:

(a) Charges for transient quarters must be established at rates equivalent to private transient housing of comparable type and quality.

(b) If comparable private housing does not exist in the appraisal area, the rental charge may be established as one-half of the monthly rental charge for the next most comparable rental housing. The value of Government-provided related facilities is to be added to this amount. That total will be increased by 20 percent, as required by OMB Circular A-45, (Revised), to produce the final charge.

b. The specific means by which rental and related charges for these and other housing classes are established must be fully explained in each appraisal report. When base rental charges are established by extension of comparability, none of the administrative adjustments shall be applied.

SAMPLE OF THE QUARTERS CAPITAL INVESTMENT COST-EFFECTIVENESS ANALYSIS WORKSHEET

This is a sample. To download the most current Excel Worksheet, go to
<http://www.va.gov/facmgt/landmanagement/quarters/vhadir7631.2-attf.xls>

QUARTERS CAPITAL INVESTMENT COST-EFFECTIVENESS ANALYSIS WORKSHEET									
1.	Are the quarters and the proposed capital investment in support of the mission of this VA facility? [Enter Yes or No. If Yes, continue to Question 2.]								
2.	Compared to other alternatives, is this investment the best use of available funding? [If Yes, continue to Step 3.]								
3.	Continue to Cost-Effectiveness Analysis steps 4-15 only if answer is Yes for both Questions 1 and 2.								
4.	Base Rent: [Enter current annual base rent excluding utilities.]								\$9,000
5.	Occupancy Rate: [Enter estimated occupancy rate as percent.]								95%
6.	Estimated Annual Rental Income: [Calculated field]								\$8,550
7.	Management Expenses: [Enter current year management costs.]								\$630
8.	Maintenance, Repair, and Operations:								
	a. Enter current fiscal year's annualized MR&O costs.								\$2,400
	b. Enter total MR&O expenditures for past 4 fiscal years.								\$11,000
	c. Total MR&O expenditures [Sum of 8a + 8b]								\$13,400
	d. Average Annual Maintenance, Repair, and Operations [8c / 5 years]								\$2,680
9.	Annual Management, Maintenance, Repair, and Operations Costs: [Sum of 7+ 8d]								\$3,310
10.	Proposed Capital Project: [Enter total estimated cost of proposed project.]								\$24,920
11.	Depreciation from Previous Projects: [For previously completed projects, enter unapplied annual depreciation expense by year in column H of table below.]								
12.	Inflation Factor: [Enter OMB-suggested inflation factor.]								2.1%
13.	Discount Rate: [Enter OMB-suggested investment discount rate.]								6.1%
14.	Period	Rental Income	MMR&O	Income Less MMR&O	Proposed Project	Net Cash Flow	Deprec. from Prev. Projects	Net Income	Cum NPV by Year
	Project Year								
	2002	\$8,550	-\$3,310	\$5,240		\$5,240	-\$2,960	\$2,280	-\$22,771
	2003	\$8,730	-\$3,380	\$5,350		\$5,350	-\$2,960	\$2,390	-\$20,648
	2004	\$8,913	-\$3,450	\$5,462		\$5,462	-\$2,960	\$2,502	-\$18,553
	2005	\$9,100	-\$3,523	\$5,577		\$5,577	\$0	\$5,577	-\$14,152
	2006	\$9,291	-\$3,597	\$5,694		\$5,694	\$0	\$5,694	-\$9,917
	2007	\$9,486	-\$3,672	\$5,814		\$5,814	\$0	\$5,814	-\$5,841
	2008	\$9,685	-\$3,750	\$5,936		\$5,936	\$0	\$5,936	-\$1,920
	2009	\$9,889	-\$3,828	\$6,061		\$6,061	\$0	\$6,061	\$1,854
	2010	\$10,097	-\$3,909	\$6,188		\$6,188	\$0	\$6,188	\$5,486
	2011	\$10,309	-\$3,991	\$6,318		\$6,318	\$0	\$6,318	\$8,980
	Totals	\$94,049	-\$36,410	\$57,640	-\$24,920	\$32,720	-\$8,880	\$23,840	
15.	Net Present Value @		6.1%	\$41,798		\$16,878		\$8,980	
16.	Based on mission determination, consideration of alternatives, and cost-effectiveness analysis, should project be approved? [Enter Yes or No.]								